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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

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:  
In re: : Chapter 11  
:  
XO COMMUNICATIONS, INC., : Case No. 02-12947 (AJG)  
:  
Debtor. :  
----- X

**THIRD AMENDED PLAN OF REORGANIZATION  
FOR XO COMMUNICATIONS, INC.**

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Exhibit A - Concentric Network Corporation Executive Continuity Agreements

Exhibit B - Shareholder Stipulation

## INTRODUCTION

XO Communications, Inc., a Delaware corporation (“XO” or the “Debtor”), which owns, manages and controls, directly or indirectly, approximately sixty subsidiaries (the “Operating Subsidiaries,” and collectively with XO, the “Company”), proposes the following plan of reorganization (the “Plan”) for the resolution of the outstanding claims against and interests in the Debtor. Reference is made to the Disclosure Statement with Respect to Third Amended Plan of Reorganization for XO Communications, Inc. (the “Disclosure Statement”), distributed contemporaneously herewith, for a discussion of the Company’s history, business, properties and operations, projections for those operations, risk factors, a summary and analysis of this Plan, and certain related matters including, among other things, the securities to be issued under this Plan.

Under the Plan, XO will be reorganized either (a) through the consummation of the transactions contemplated by a stock purchase agreement (the “Investment Agreement”) with the Forstmann Little Investors and Telmex (each as defined below), and the distribution of the proceeds thereof and New Common Stock (as defined below) pursuant to the Investment Agreement and the Plan (the “FL/Telmex Plan”), or (b) if a Termination Event (as defined below) occurs, then, on a stand-alone basis without consummation of the FL/Telmex Plan, through consummation of the transactions contemplated by the Stand-Alone Term Sheet (as defined below) and any related agreements and the Plan (the “Stand-Alone Plan”). Holders of Claims against and Interests in the Debtor who are entitled to vote on the Plan will have the right to vote to accept or reject each of the FL/Telmex Plan and the Stand-Alone Plan separately. At the Confirmation Hearing (as defined below), the Debtor will proceed with confirmation of either the FL/Telmex Plan or the Stand-Alone Plan in accordance with the provisions of the Plan.

## ARTICLE I

### DEFINED TERMS AND RULES OF INTERPRETATION

#### A. Scope of Definitions; Rules of Construction

For purposes of this Plan, except as expressly provided or unless the context otherwise requires, all capitalized terms not otherwise defined shall have the meanings ascribed to them in Article I of this Plan. Any term used in this Plan that is not defined herein, but is defined in the Bankruptcy Code or the Bankruptcy Rules, shall have the meaning ascribed to that term in the Bankruptcy Code or the Bankruptcy Rules. Whenever the context requires, such terms shall include the plural as well as the singular number, the masculine gender shall include the feminine, and the feminine gender shall include the masculine.

**1.1. *Administrative Agent*** means Toronto Dominion (Texas), Inc., the Administrative Agent under the Senior Credit Facility.

**1.2. *Administrative Agent Fee Claims*** means the Claims of the Administrative Agent for costs and expenses of its counsel and financial advisor in connection with the Chapter 11 Case.

**1.3. *Administrative Claim*** means a Claim for costs and expenses of administration of the Chapter 11 Case allowed under section 503(b) or 1114(e)(2) of the Bankruptcy Code and entitled to priority pursuant to section 507(a)(1) of the Bankruptcy Code, including, but not limited to: (a) any actual and necessary costs and expenses incurred after the Petition Date of preserving the Debtor's Estate and operating the businesses of the Debtor (such as wages, salaries, commissions for services and payments for inventories, leased equipment and premises) and Claims of governmental units for taxes (including tax audit Claims related to tax years commencing on or after the Petition Date, but excluding Claims relating to tax periods, or portions thereof, ending prior to the Petition Date); (b) Allowed Fee Claims; and (c) Note Trustee Fees, subject to Section 3.1(a)(ii) hereof; and (d) all fees and charges assessed against the Debtor's Estate under Section 1930, Chapter 123 of Title 28, United States Code.

**1.4. *Allowed Claim*** means a Claim or any portion thereof: (a) that has been allowed by a Final Order; (b) as to which, on or by the Effective Date, (i) no proof of claim has been filed with the Bankruptcy Court, (ii) the liquidated and noncontingent amount of which is listed in the Schedules, other than a Claim that is listed in the Schedules at zero, in an unknown amount, or as disputed, and (iii) no objection thereto has been filed with the Bankruptcy Court or any objection that is filed has been withdrawn or overruled by a Final Order of the Bankruptcy Court; (c) for which a proof of claim in a liquidated amount has been timely filed with the Bankruptcy Court pursuant to the Bankruptcy Code, any Final Order of the Bankruptcy Court or other applicable bankruptcy law, and as to which either (i) no objection to its allowance has been filed within the periods of limitation fixed by this Plan, the Bankruptcy Code, the Bankruptcy Rules or any order of the Bankruptcy Court or (ii) any objection to its allowance has been settled, withdrawn, denied or otherwise resolved by a Final Order; or (d) that is expressly allowed in this Plan.

**1.5. *Allowed Interest*** means any Interest that (a) is registered as of the Distribution Record Date in a stock register maintained by or on behalf of the Debtor and (b) is not a Disputed Interest.

**1.6. *Amended Certificate of Incorporation and Bylaws*** means, collectively, the Amended Certificate of Incorporation and the Amended Bylaws.

**1.7. *Amended Certificate of Incorporation*** means Reorganized XO's certificate of incorporation as amended by this Plan or in accordance therewith, which shall also comply with section 1123(a)(6) of the Bankruptcy Code and (i) if the Investment Agreement is consummated, substantially in the form of Exhibit D to the Investment Agreement, or (ii) if the Stand-Alone Events occur, in form and substance reasonably satisfactory to the Administrative Agent.

**1.8. *Amended Bylaws*** means Reorganized XO's bylaws as amended by this Plan or in accordance therewith, which shall comply with section 1123(a)(6) of the Bankruptcy Code and (i) if the Investment Agreement is consummated, substantially in the form of Exhibit E to the Investment Agreement, or (ii) if the Stand-Alone Events occur, in form and substance reasonably satisfactory to the Administrative Agent.

**1.9. Amended and Restated Senior Credit Facility** means that certain Amended and Restated Senior Credit Facility, reasonably acceptable to each Investor, to be entered into if the transactions contemplated by the Investment Agreement are consummated, as contemplated by the Bank Plan Support Agreement and substantially in a form included in the Plan Supplement.

**1.10. Ballot** means each of the ballot forms distributed to each holder of an Impaired Claim or Impaired Interest entitled to vote on which the holder is to indicate separately acceptance or rejection of the FL/Telmex Plan and the Stand-Alone Plan.

**1.11. Bankruptcy Code** means the Bankruptcy Reform Act of 1978, as codified in title 11 of the United States Code, 11 U.S.C. §§ 101-1330, as now in effect or hereafter amended.

**1.12. Bankruptcy Court** means the United States District Court having jurisdiction over the Chapter 11 Case and, to the extent any reference is made pursuant to Section 157 of Title 28 of the United States Code or the General Order of the District Court pursuant to Section 151 of Title 28 of the United States Code, the bankruptcy unit of such District Court.

**1.13. Bankruptcy Rules** means, collectively, the Federal Rules of Bankruptcy Procedure and the Official Bankruptcy Forms, as amended, the Federal Rules of Civil Procedure, as amended, as applicable to the Chapter 11 Case or proceedings therein, and the Local Rules of the Bankruptcy Court, as applicable to the Chapter 11 Case or proceedings therein, as the case may be.

**1.14. Bank Plan Support Agreement** means that certain support agreement by and among XO, XO Management Services, Inc. and certain Senior Secured Lenders, dated June 13, 2002, a copy of which is annexed to the Disclosure Statement as Exhibit B.

**1.15. Bar Date** means the date, if any, designated by the Bankruptcy Court as the last dates for filing proofs of Claim or Interest against the Debtor.

**1.16. Business Day** means any day, other than a Saturday, Sunday or "legal holiday" (as defined in Bankruptcy Rule 9006(a)).

**1.17. Cash** means legal tender of the United States of America and equivalents thereof.

**1.18. Chapter 11 Case** means the case under chapter 11 of the Bankruptcy Code commenced by the Debtor in the Bankruptcy Court, Case No. 02-12947 (AJG).

**1.19. Claim** means a "claim" as defined in section 101(5) of the Bankruptcy Code.

**1.20. Claims Objection Deadline** means the first Business Day that is the latest of: (a) 90 days after the Effective Date; (b) as to a particular Claim, 45 days after the filing of a

proof of claim for, or request for payment of, such Claim; or (c) such later date as may be established by the Bankruptcy Court for cause shown by Reorganized XO.

**1.21. *Class*** means a category of holders of Claims or Interests, as described in Article II of this Plan.

**1.22. *Company*** means XO and its Operating Subsidiaries.

**1.23. *Confirmation Date*** means the date on which the Clerk of the Bankruptcy Court enters the Confirmation Order on the docket of the Bankruptcy Court.

**1.24. *Confirmation Hearing*** means the hearing held by the Bankruptcy Court pursuant to section 1128 of the Bankruptcy Code to consider confirmation of this Plan, as such hearing may be adjourned or continued from time to time.

**1.25. *Confirmation Order*** means an order of the Bankruptcy Court confirming this Plan pursuant to section 1129 of the Bankruptcy Code, as the same may be amended from time to time.

**1.26. *Convenience Claim*** means any Claim that otherwise would be an Allowed General Unsecured Claim in an amount (i) equal to or less than \$5,000, or (ii) greater than \$5,000 but which is reduced to be equal or less than \$5,000 by an irrevocable written election of the holder of such Claim made on a validly executed and timely delivered Ballot.

**1.27. *Conversion Common Stock*** means any New Class A Common Stock to be issued upon conversion of the New Common Stock.

**1.28. *Debtor*** means XO, as debtor and debtor in possession in the Chapter 11 Case.

**1.29. *Director and Officer Claims*** means the obligations of the Debtor to indemnify any person or entity serving at any time on or prior to the Petition Date as one of its directors, officers or employees by reason of such person's or entity's service in such capacity, or as a director, officer or employee of any other corporation or legal entity, to the extent provided in the Debtor's constituent documents, or by a written agreement with the Debtor, or pursuant to applicable general corporation law, each as applicable.

**1.30. *Disbursing Agent*** means Reorganized XO, or any party designated by Reorganized XO, to serve as disbursing agent under this Plan.

**1.31. *Disclosure Statement*** means the written disclosure statement that relates to this Plan, as amended, supplemented, or modified from time to time, and that is prepared and distributed in accordance with section 1125 of the Bankruptcy Code and Bankruptcy Rule 3018.

**1.32. *Disclosure Statement Order*** means the order of the Bankruptcy Court that, among other things, approves the Disclosure Statement pursuant to Section 1125 of the Bankruptcy Code.



**1.33. *Disputed Claim*** means a Claim, or any portion thereof, that is not an Allowed Claim and includes, without limitation, Claims that have not become Allowed Claims and that (a) have not been listed in the Schedules by the Debtor or have been listed in the Schedules at zero, or as contingent, unliquidated, or disputed, or any Securities Claim, or (b) are the subject of an objection filed in the Bankruptcy Court and which objection has not been withdrawn or overruled by a Final Order of the Bankruptcy Court.

**1.34. *Disputed Claims Reserve*** shall have the meaning set forth in Section 7.2(a) of the Plan.

**1.35. *Disputed Interest*** means an Interest, or any portion thereof, that is not an Allowed Interest and includes, without limitation, Interests that have not become Allowed Interests and that (a) have not been listed in the Schedules by the Debtor or have been listed in the Schedules at zero, or as contingent, unliquidated, or disputed, or (b) are the subject of an objection filed in the Bankruptcy Court and which objection has not been withdrawn or overruled by a Final Order of the Bankruptcy Court.

**1.36. *Distribution*** means the distribution by the Debtor in accordance with the Plan on account of a Claim or Interest against the Debtor in the form of Cash, New Common Stock, Warrants, Rights and/or the New Reorganization Common Stock, as applicable.

**1.37. *Distribution Date*** means the date, within 30 days after the Effective Date, upon which the initial distributions will be made to Holders of Allowed Claims and Allowed Interests.

**1.38. *Distribution Record Date*** means the Confirmation Date.

**1.39. *Effective Date*** means the date that is eleven (11) days after the Confirmation Date, or, if such date is not a Business Day, the next succeeding Business Day, or such later date after the Confirmation Date as determined by the Debtor (and, to the extent required by the Investment Agreement, with the reasonable consent of the Investors) so long as no stay of the Confirmation Order is in effect on such date; provided, however, that if, on or prior to such date, all conditions to the Effective Date set forth in Article IX of this Plan have not been satisfied or waived, then the Effective Date shall be the first Business Day following the day on which all such conditions to the Effective Date have been satisfied or waived or such later date as the Debtor (with the reasonable consent of the Investors, to the extent required by the Investment Agreement), may determine.

**1.40. *Employment Contract*** means, collectively, all employment and severance agreements and policies, as amended, and all compensation and benefit plans, policies, and programs of the Debtor, as amended, applicable to its employees, retirees and non-employee directors and the employees and retirees of its subsidiaries, including, without limitation, all savings plans, retirement plans, healthcare plans, disability plans, severance benefit plans, incentive plans, life, accidental death and dismemberment insurance plans and the NEXTLINK Communications, Inc. Change of Control Retention Bonus and Severance Pay Plan, provided,

however, Employment Contract shall not include the Concentric Network Corporation Executive Continuity Agreements identified on Exhibit B annexed hereto.

**1.41. *Estate*** means the estate of the Debtor created under section 541 of the Bankruptcy Code.

**1.42. *Exit Facility*** means, in the event the Stand-Alone Events occur, a revolving credit facility with a maximum availability of \$200 million on terms and conditions consistent with the Stand-Alone Term Sheet and in a form reasonably acceptable to the Administrative Agent.

**1.43. *Face Amount*** means, with respect to (a) an Allowed Note Claim, Allowed General Unsecured Claim, or Convenience Claim, the amount of such Claim, and (b) a Disputed Note Claim or a Disputed General Unsecured Claim, an amount equal to (i) the liquidated amount of such Disputed Claim listed in the Schedules as being disputed, or (ii) if a proof of claim is filed by the Holder of such Disputed Claim, the liquidated amount set forth in such proof of claim, or (iii) if an amount is agreed to by Reorganized XO and the Holder of such Disputed Claim, such amount as is agreed to, or (iv) if the Bankruptcy Court has entered a Final Order estimating the amount of such Disputed Claim, the amount as set forth in such Final Order.

**1.44. *Fee Claim*** means an Administrative Claim under section 330(a), 331, 503 or 1103 of the Bankruptcy Code for compensation of a Professional or other entity for services rendered or expenses incurred in the Chapter 11 Case on or prior to the Effective Date.

**1.45. *File, Filed or Filing*** means file, filed or filing with the Bankruptcy Court or its authorized designee in the Chapter 11 Case.

**1.46. *Final Expiration Date*** means the first business day after the 29<sup>th</sup> day after the Transferable Rights Certificates are delivered.

**1.47. *Final Order*** means an order, ruling or judgment of the Bankruptcy Court or any other court of competent jurisdiction as to which the time to appeal, petition for certiorari, or move for reargument or rehearing has expired and as to which no appeal, petition for certiorari, or other proceedings for reargument or rehearing shall then be pending, or as to which any right to appeal, petition for certiorari, reargue, or rehear shall have been waived in writing in form and substance satisfactory to the Debtor or, on and after the Effective Date, Reorganized XO or, in the event that an appeal, writ of certiorari, or reargument or rehearing thereof has been sought, such order of the Bankruptcy Court or other court of competent jurisdiction shall have been determined by the highest court to which such order was appealed, or certiorari, reargument or rehearing shall have been denied and the time to take any further appeal, petition for certiorari or move for reargument or rehearing shall have expired; provided, however, that the possibility that a motion under Rule 59 or Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules or applicable state court rules of civil procedure, may be filed with respect to such order, shall not cause such order not to be a Final Order.

**1.48. *FL/Telmex Plan*** means the Plan based on the transactions contemplated by the Investment Agreement.

**1.49. *FL/Telmex Recovery*** means the amount obtained by the Debtor or the Reorganized Debtor in respect of any money judgment against the Forstmann Little Investors and/or Telmex and the amount of any cash received by the Debtor or Reorganized Debtor pursuant to any settlement with both Investors or either Investor, in respect of any claims the Debtor or the Reorganized Debtor has or shall have against the Investors with respect to the Investment Agreement, net of the portion thereof payable for the reasonable expenses of the Debtor or the Reorganized Debtor relating to such judgment or settlement (including, without limitation, attorney's fees and out-of-pocket expenses) and pursuant to the Shareholder Stipulation and, subject to the consent of the Official Committee of Unsecured Creditors, not to be unreasonably withheld, any similar agreements.

**1.50. *Forstmann Little Investors*** means Forstmann Little & Co. Equity Partnership-VII, L.P., a Delaware limited partnership and Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership-VIII, L.P., a Delaware limited partnership.

**1.51. *Forstmann Little Entities*** means (i) FLC XXIX Partnership, L.P.; (ii) FLC XXX Partnership, L.P.; (iii) FLC XXXI Partnership, L.P. (d/b/a Forstmann Little & Co.); (iv) FLC XXXII Partnership, L.P.; (v) FLC XXXIII Partnership, L.P.; (vi) Forstmann Little & Co. Equity Partnership-V, L.P.; (vii) Forstmann Little & Co. Equity Partnership-VI, L.P.; (viii) Forstmann Little & Co. Equity Partnership-VII, L.P.; (ix) F.L. Fund, L.P.; (x) Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership-VI, L.P.; (xi) L.P. Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership-VII, L.P.; and (xii) Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership-VIII, L.P.

**1.52. *General Unsecured Claim*** means a Claim against the Debtor that is not an Administrative Claim, Priority Tax Claim, Senior Secured Lender Claim, Other Secured Claim, Non-Tax Priority Claim, Securities Claim, Convenience Claim, Director and Officer Claim, or Note Claim.

**1.53. *General Unsecured Claim Portion*** means a fraction the numerator of which is equal to the sum of the Face Amount of all General Unsecured Claims and the denominator of which is equal to the sum of the Face Amount of all Note Claims and General Unsecured Claims.

**1.54. *Holder*** means an entity holding a Claim or Interest and, with respect to Note Claims, the beneficial holder, each as of the applicable Voting Record Date or any authorized agent who has completed and executed a Ballot or on whose behalf a Master Ballot has been completed and executed in accordance with the voting instructions; provided, however, that for purposes of making Distributions under the Plan, a Holder shall be determined as of the Distribution Record Date.

**1.55. *Impaired*** means, when used in reference to a Claim or Interest, a Claim or Interest that is impaired within the meaning of section 1124 of the Bankruptcy Code.

**1.56. *Indentures*** means the:

(a) Indenture, dated as of April 1, 1998, by and between United States Trust Company of New York (predecessor to HSBC Bank USA), as Trustee, and NEXTLINK Communications, Inc. (predecessor to XO), relating to the 9.45% Senior Discount Notes due 2008;

(b) Indenture, dated as of June 1, 1999, by and between NEXTLINK Communications, Inc. (predecessor to XO) and United States Trust Company of Texas (predecessor to HSBC Bank USA), as Trustee, relating to the 12.25% Senior Discount Notes due 2009;

(c) Indenture, dated as of November 17, 1999, by and between NEXTLINK Communications, Inc. (predecessor to XO) and United States Trust Company of Texas (predecessor to HSBC Bank USA), as Trustee, relating to the 12.125% Senior Discount Notes due 2009;

(d) Indenture, dated as of April 25, 1996, by and among NEXTLINK Communications, L.L.C. and Nextlink Capital, Inc. (predecessors to XO), and United States Trust Company of New York (predecessor to HSBC Bank USA), as Trustee, relating to 12.5% Senior Notes due April 15, 2006;

(e) Indenture dated as of September 25, 1997 by and between United States Trust Company of New York (predecessor to HSBC Bank USA), as Trustee, and NEXTLINK Communications, Inc. (predecessor to XO), relating to the 9.625% Senior Notes due 2007;

(f) Indenture, dated as of December 18, 1997, by and between Concentric Network Corporation (predecessor to XO) and HSBC Bank USA, as Successor Trustee to Chase Manhattan Bank and Trust Company, National Association, as Trustee, relating to the 12.75% Senior Notes due 2007;

(g) Indenture, dated as of March 3, 1998, by and between United States Trust Company of New York (predecessor to HSBC Bank USA), as Trustee, and NEXTLINK Communications, Inc. (predecessor to XO), relating to the 9.0% Senior Notes due 2008;

(h) Indenture, dated as of November 12, 1998, by and between NEXTLINK Communications, Inc. (predecessor to XO) and United States Trust Company of New York (predecessor to HSBC Bank USA), as Trustee, relating to the 10.75% Senior Notes due 2008;

(i) Indenture, dated as of June 1, 1999, by and between NEXTLINK Communications, Inc. (predecessor to XO) and United States Trust Company of New York (predecessor to HSBC Bank USA), as Trustee, relating to the 10.75% Senior Notes due 2009;

(j) Indenture, dated as of November 17, 1999, by and between NEXTLINK Communications, Inc. (predecessor to XO) and United States Trust Company of New York (predecessor to HSBC Bank USA), as Trustee, relating to the 10.5% Senior Notes due 2009; and

(k) Indenture, dated as of January 12, 2001, by and between XO Communications, Inc. and United States Trust Company, National Association (predecessor to Wells Fargo Bank Minnesota, N.A.), as Trustee, relating to the 5.75% Convertible Subordinated Notes due 2009,

in each case as such may have been or may be amended or supplemented from time to time.

**1.57. *Interest*** means (a) the legal, equitable, contractual and other rights of any person with respect to the Other Old Equity, Old Common Stock or Old Preferred Stock and (b) the legal, equitable, contractual or other rights of any person to acquire or receive any of the foregoing.

**1.58. *Investment Agreement*** means that certain Stock Purchase Agreement dated as of January 15, 2002, among XO, Forstmann Little Investors and Telmex, with respect to XO's sale of the New Investor Common Stock, as the same may be altered, amended, modified or restated from time to time, a copy of which is annexed to the Bank Plan Support Agreement as Exhibit A.

**1.59. *Investor Litigation*** shall have the meaning set forth in the Shareholder Stipulation.

**1.60. *Investors*** means the Forstmann Little Investors and Telmex, collectively.

**1.61. *Litigation Claims*** means the claims, rights of action, suits or proceedings, whether in law or in equity, whether known or unknown, that the Debtor or its Estate may hold against any person.

**1.62. *Management Common Stock*** means, in the event that the transactions contemplated by the Investment Agreement are consummated, any New Class E Common Stock to be issued pursuant to the Management Stock Purchases.

**1.63. *Management Incentive Program*** means the stock option plan pursuant to the Stand-Alone Term Sheet providing for the grant to officers, employees and directors of Reorganized XO and its subsidiaries of options to acquire shares of New Reorganization Common Stock representing initially up to 7% of the fully diluted New Reorganization Common Stock outstanding after the distribution of the Post-Termination Securities, with an additional 3%

of the fully diluted New Reorganization Common Stock outstanding after the distribution of the Post-Termination Securities reserved for issuance post consummation, in accordance with the Stand-Alone Term Sheet.

**1.64. *Management Stock Purchases*** means, in the event that the transactions contemplated by the Investment Agreement are consummated, the sale of Management Common Stock to certain members of the management of Reorganized XO on the Effective Date in accordance with the terms described in the Disclosure Statement, this Plan, the Investment Agreement and the Management Stock Purchase Agreement.

**1.65. *Management Stock Purchase Agreement*** means, in the event that the transactions contemplated by the Investment Agreement are consummated, the agreement to be entered into on the Effective Date and among XO, the Investors and certain members of the management of Reorganized XO setting forth the terms and conditions of the Management Stock Purchases, in substantially the form included in the Plan Supplement.

**1.66. *Master Ballot*** means the ballot distributed to the Indenture Trustees and the nominees or holders of record of the Notes, as applicable, to record the votes, if any, of the beneficial holders of such instruments.

**1.67. *New Class A Common Stock*** means, in the event the transactions contemplated by the Investment Agreement are consummated, that certain class A common stock, par value \$.01, to be issued by Reorganized XO on the Effective Date pursuant to this Plan and the Investment Agreement, as applicable, and having the rights and preferences stated in the Amended Certificate of Incorporation of Reorganized XO.

**1.68. *New Class C Common Stock*** means, in the event the transactions contemplated by the Investment Agreement are consummated, that certain convertible class C common stock, par value \$.01, to be issued by Reorganized XO on the Effective Date pursuant to this Plan and the Investment Agreement, as applicable, and having the rights and preferences stated in the Amended Certificate of Incorporation of Reorganized XO.

**1.69. *New Class D Common Stock*** means, in the event the transactions contemplated by the Investment Agreement are consummated, that certain convertible class D common stock, par value \$.01, to be issued by Reorganized XO on the Effective Date pursuant to this Plan and the Investment Agreement, as applicable, and having the rights and preferences stated in the Amended Certificate of Incorporation of Reorganized XO.

**1.70. *New Class E Common Stock*** means, in the event the transactions contemplated by the Investment Agreement are consummated, that certain convertible class E common stock, par value \$.01, to be issued by Reorganized XO on the Effective Date pursuant to this Plan, the Investment Agreement, and the Management Stock Purchase Agreement, as applicable, and having the rights and preferences stated in the Amended Certificate of Incorporation of Reorganized XO.

**1.71. *New Common Stock*** means, in the event the transactions contemplated by the Investment Agreement are consummated, the shares of Note Common Stock, Management Common Stock and New Investor Common Stock, issued in accordance with the terms of the Investment Agreement, the Management Stock Purchase Agreement, this Plan or any Plan Supplement.

**1.72. *New Investor Common Stock*** means, in the event the transactions contemplated by the Investment Agreement are consummated, (a) 79,999,998 shares of the New Class A Common Stock (plus a number of additional shares of New Class A Common Stock equal to 50% of the excess, if any, of 4,000,000 over the number of shares of Management Common Stock issued in the Management Stock Purchases), and two shares of New Class D Common Stock to be issued to the Forstmann Little Investors on the Effective Date, calculated on an as-converted basis, but in all events representing no less than 40% of the common equity of Reorganized XO on the Effective Date (without giving effect to the New Common Stock issuable upon exercise of any options granted, or available for grant, to the management or other employees of the Company); and (b) 80,000,000 shares of the New Class C Common Stock (plus a number of additional shares of New Class C Common Stock equal to 50% of the excess, if any, of 4,000,000 over the number of shares of Management Common Stock issued in the Management Stock Purchases) to be issued to Telmex on the Effective Date, calculated on an as-converted basis, but in all events representing no less than 40% of the common equity of Reorganized XO on the Effective Date (without giving effect to the New Common Stock issuable upon exercise of any options granted, or available for grant, to the management or other employees of the Company).

**1.73. *New Junior Secured Loans*** means, in the event the Stand-Alone Events occur, the \$500 million loan to be issued to Reorganized XO pursuant to the Stand-Alone Term Sheet and secured by a second-priority perfected security interest (subject only to the first-priority perfected security interest in respect of the Exit Facility) on the assets of Reorganized XO and its Operating Subsidiaries on the terms and conditions set forth on Exhibit A to the Stand-Alone Term Sheet.

**1.74. *New Options*** means, in the event the transactions contemplated by the Stand-Alone Term Sheet and any related agreements are consummated, the stock options issued or reserved for issuance pursuant to the Management Incentive Program to acquire shares of New Reorganization Common Stock in accordance with the Stand-Alone Term Sheet and any related agreements.

**1.75. *New Reorganization Common Stock*** means, in the event the transactions contemplated by the Stand-Alone Term Sheet and any related agreements are consummated, that certain common stock, par value \$.01, to be issued by Reorganized XO on the Effective Date pursuant to this Plan and the Stand-Alone Term Sheet and any related agreements, as applicable, and having the rights and preferences stated in the Amended Certificate of Incorporation of Reorganized XO.

**1.76. *New Series A Warrants*** means the warrants of Reorganized XO issued as of the Effective Date and expiring seven years after the date of issuance, subject to the terms and

conditions of the Warrant Agreement, to purchase shares of New Reorganization Common Stock at an exercise price of \$6.25 per share, representing a 25% premium to the pre-Rights Offering equity value of XO of \$475 million.

**1.77. *New Series B Warrants*** means the warrants of Reorganized XO issued as of the Effective Date and expiring seven years after the date of issuance, subject to the terms and conditions of the Warrant Agreement, to purchase New Reorganization Common Stock at an exercise price of \$7.50 per share, representing a 50% premium to the pre-Rights Offering equity value of XO of \$475 million.

**1.78. *New Series C Warrants*** means the warrants of Reorganized XO issued as of the Effective Date and expiring seven years after the date of issuance, subject to the terms and conditions of the Warrant Agreement, to purchase shares of New Reorganization Common Stock at an exercise price of \$10.00 per share, representing a 100% premium to the pre-Rights Offering equity value of XO of \$475 million.

**1.79. *New Warrants*** means, collectively, the New Series A Warrants, the New Series B Warrants and the New Series C Warrants.

**1.80. *New Warrant Class*** means, in the event the Stand-Alone Events occur, each of the Senior Note Claims Class and General Unsecured Claim Class.

**1.81. *Non-Tax Priority Claim*** means a Claim against the Debtor, other than an Administrative Claim or Priority Tax Claim, that is entitled to priority in payment pursuant to section 507(a) of the Bankruptcy Code.

**1.82. *Nontransferable Rights*** mean the rights issued to the Holders of General Unsecured Claims (Class 5), Senior Note Claims (Class 6), Subordinated Note Claims (Class 7), Old Preferred Stock Interests (Class 9) and Old Common Stock Interests (Class 10) to purchase, prior to the Nontransferable Rights Expiration Date, Rights Shares in the Rights Offering, which rights are not transferable and are subject to the priority and allocation rules described herein and in the Disclosure Statement.

**1.83. *Nontransferable Rights Certificates*** mean the nontransferable rights certificates in the form attached to the Plan Supplement.

**1.84. *Nontransferable Rights Expiration Date*** means the first business day after the 29th day after the Effective Date.

**1.85. *Note Claim*** means a Claim arising from or related to the Notes (other than any Securities Claim).

**1.86. *Note Common Stock***, collectively, means, in the event the transactions contemplated by the Investment Agreement are consummated, the 36,000,000 shares of New Class A Common Stock, representing 18% of the fully diluted common equity of Reorganized XO on the Effective Date (without giving effect to the New Common Stock issuable upon



exercise of any options granted, or available for grant, to management or other employees of the Company) to be issued on the Effective Date in accordance with this Plan.

**1.87. *Note Trustee Charging Lien*** means any lien or other priority in payment arising prior to the Effective Date to which the Note Trustees are entitled, pursuant to the Indentures or otherwise, against distributions to be made to holders of Note Claims for payment of any Note Trustee Fees.

**1.88. *Note Trustee Fees*** means the reasonable compensation, fees, expenses, disbursements and indemnity claims, including, without limitation, attorneys' and agents' fees, expenses and disbursements, incurred by the Note Trustees, whether prior to or after the Petition Date.

**1.89. *Note Trustees*** HSBC Bank USA and Wells Fargo Bank Minnesota, N.A. in each case as trustee, as applicable, under the Indentures.

**1.90. *Notes*** means, collectively, the Senior Notes and the Subordinated Notes.

**1.91. *Official Committee of Unsecured Creditors*** means the official committee of unsecured creditors appointed by the United States Trustee for the Southern District of New York on June 25, 2002, pursuant to section 1102 of the Bankruptcy Code, as the same may be constituted or reconstituted from time to time.

**1.92. *Old Class A Common Stock*** means that certain outstanding class A common stock, par value \$.02 per share, authorized and issued by XO prior to, and outstanding as of, the Petition Date.

**1.93. *Old Class B Common Stock*** means that certain outstanding class B common stock, par value \$.02 per share, authorized and issued by XO prior to, and outstanding as of, the Petition Date.

**1.94. *Old Common Stock*** means Old Class A Common Stock and Old Class B Common Stock.

**1.95. *Old Common Stock Interest*** means an Interest arising from or relating to the Old Common Stock.

**1.96. *Old Preferred Stock*** means all preferred stock authorized by XO, including, but not limited to that certain preferred stock, par value \$0.01 per share, authorized by XO prior to, and outstanding as of, the Petition Date, and individually and collectively, as the case may be, the following series designated thereunder: 14% Series A Senior Exchangeable Redeemable Preferred Shares, 13 ½% Series E Senior Redeemable Exchangeable Preferred Stock Due 2010, Series C Cumulative Convertible Participating Preferred Stock, Series D Convertible Participating Preferred Stock, Series G Cumulative Convertible Participating Preferred Stock, Series H Convertible Participating Preferred Stock, 6 ½% Series B Cumulative Convertible Preferred Stock and 7% Series F Convertible Redeemable Preferred Stock Due 2010, including, without limitation, the rights of any entity to purchase or demand the issuance

of any such stock, including, as applicable, any and all (a) conversion, exchange, voting, participation, and dividend rights; (b) liquidation preferences; (c) stock options, warrants, and put rights; (d) share-appreciation rights; and (e) pre-emptive rights (including, without limitation, rights under the stock purchase agreement dated as of December 7, 1999, by and among the Forstmann Little Investors and FL Fund, L.P. and NEXTLINK Communications, Inc. (Predecessor to XO) and the stock purchase agreement dated June 14, 2000, by and among Forstmann Little & Co. Equity Partnership VI, L.P., Forstmann Little & Co. Subordinated Debt and Management Buyout Partnership VII, L.P. and FL Fund, L.P. and NEXTLINK Communications, Inc. (predecessor to XO)).

**1.97. *Old Preferred Stock Interest*** means an Interest arising from or relating to the Old Preferred Stock.

**1.98. *Operating Subsidiaries*** means all of the subsidiaries of XO.

**1.99. *Other Consideration*** shall have the meaning set forth in the Shareholder Stipulation.

**1.100. *Other Old Equity*** means all options (including, without limitation, options granted under the XO Communications, Inc. Stock Option Plan, and the following stock options plans assumed in connection with the acquisition of Concentric Network Corporation: Delta Internet Services, Inc. 1996 Stock Option Plan; Concentric Network Corporation 1995 Stock Incentive Plan for Employees and Consultants; Concentric Network Corporation 1996 Stock Plan; Concentric Network Corporation 1997 Stock Plan; Concentric Network Corporation 1999 Nonstatutory Stock Option Plan; The Concentric Network United Kingdom Limited Share Option Scheme; and The Concentric Network Corporation Netherlands Share Option Scheme; and certain grants of stock options to Concentric employees not pursuant to any plan), warrants (including, without limitation, the following warrants assumed in connection with the acquisition of Concentric Network Corporation: warrants issued in connection with that certain Warrant Agreement, dated as of December 18, 1997, entered into by Concentric Network Corporation and; XO Communications, Inc. Class A Common Stock Purchase Warrant, dated August 30, 2001, issued to Microsoft Corporation in exchange for Concentric Network Corporation Common Stock Purchase Warrant, dated June 29, 1999; Warrant Substitution Agreement, dated May 29, 1998, by and between Concentric Network Corporation and Video Bliss; and Warrant Substitution Agreement, dated May 29, 1998, by and between Concentric Network Corporation and William Fairchild), call rights, puts, awards (including, without limitation, awards of restricted stock granted under the XO Communications, Inc. Stock Option Plan and awards of restricted stock granted, and rights to awards of restricted stock, under the Executive Retention Bonus Plan adopted in connection with the acquisition of Concentric Network Corporation), registration rights agreements or other agreements to acquire Old Common Stock (including, without limitation, rights to acquire Old Common Stock under that certain Asset Purchase Agreement, dated September 12, 1998, as amended by First, Second, Third, Fourth and Fifth Amendments thereto, between NEXTLINK Communications, Inc. (predecessor to XO), XO Illinois, Inc. (f/k/a NEXTLINK Illinois, Inc.), and Unicom Thermal Technologies, Inc.), in each case outstanding immediately prior to the Petition Date and any other equity securities (including

convertible securities) other than the Old Common Stock and the Old Preferred Stock outstanding immediately prior to the Petition Date.

**1.101. *Other Old Equity Interest*** means an Interest arising from or relating to Other Old Equity.

**1.102. *Other Secured Claim*** means a Claim, other than Senior Secured Lender Claims, that is secured by a lien on property in which the Debtor's Estate has an interest or that is subject to setoff under section 553 of the Bankruptcy Code, to the extent of the value of the Claim holder's interest in the Estate's interest in such property or to the extent of the amount subject to setoff, as applicable, as determined pursuant to section 506(a) of the Bankruptcy Code or, in the case of setoff, pursuant to section 553 of the Bankruptcy Code.

**1.103. *Petition Date*** means the date on which the Debtor filed its petition for relief commencing the Chapter 11 Case.

**1.104. *Plan*** means this chapter 11 plan of reorganization, including the Plan Supplement and all supplements, appendices and schedules thereto, either in its present form or as the same may be altered, amended or modified from time to time in accordance with the terms hereof; provided, that, if the context so requires, references to the Plan shall be references to either the FL/Telmex Plan or the Stand-Alone Plan, as applicable.

**1.105. *Plan Supplement*** means the compilation of documents and form of documents specified in this Plan to be filed as set forth in Section 12.6 hereof.

**1.106. *Post-Termination Securities*** means, collectively, the New Options, New Warrants, Rights, New Reorganization Common Stock, and any security to be issued upon the exercise of the New Options, New Warrants or Rights.

**1.107. *Priority Tax Claim*** means a Claim against the Debtor of a governmental unit of the kind specified in sections 502(i) and 507(a)(8) of the Bankruptcy Code.

**1.108. *Professional*** means (a) any professional employed in connection with the Chapter 11 Case pursuant to section 327 or 1103 of the Bankruptcy Code and (b) any professional or other entity seeking compensation or reimbursement of expenses in connection with the Chapter 11 Case pursuant to section 503(b)(4) of the Bankruptcy Code.

**1.109. *Reinstated or Reinstatement*** means (i) leaving unaltered the legal, equitable, and contractual rights to which a Claim entitles the Holder of such Claim so as to leave such Claim unimpaired in accordance with section 1124 of the Bankruptcy Code or (ii) notwithstanding any contractual provision or applicable law that entitles the Holder of such Claim to demand or receive accelerated payment of such Claim after the occurrence of a default (a) curing any such default that occurred before or after the Petition Date, other than a default of a kind specified in section 365(b)(2) of the Bankruptcy Code; (b) reinstating the maturity of such Claim as such maturity existed before such default; (c) compensating the Holder of such Claim for any damages incurred as a result of any reasonable reliance by such Holder on such

contractual provision or such applicable law; and (d) not otherwise altering the legal, equitable, or contractual rights to which such Claim entitles the Holder of such Claim.

**1.110. *Rejection Claim*** means a Claim arising from the rejection under section 365 or 1123 of the Bankruptcy Code of an executory contract or unexpired lease.

**1.111. *Remaining Reserve*** shall have the meaning set forth in Section 7.2(c) hereof.

**1.112. *Reorganized XO*** means XO or any successors thereto by merger, consolidation, or otherwise, on or after the Effective Date.

**1.113. *Retention Bonus Plan*** means, in the event the Stand-Alone Events occur, an employee retention plan providing for the payment of retention bonuses in an amount not to exceed \$25 million in aggregate pursuant to the Stand-Alone Term Sheet.

**1.114. *Rights*** mean, collectively, the Nontransferable Rights and the Transferable Rights.

**1.115. *Rights Certificates*** means the Nontransferable Rights Certificates and the Transferable Rights Certificates, collectively.

**1.116. *Rights Offering*** means the offering of Rights, in the event the Stand-Alone Events occur, pursuant to Section 3.6 of this Plan.

**1.117. *Rights Shares*** means the 40,000,000 shares of New Reorganization Common Stock to be offered for sale at \$5.00 per share (for an aggregate purchase price of \$200 million) in the Rights Offering; provided, that XO may offer up to an additional 3,333,333 shares for up to an aggregate of \$16,666,666 in certain events to satisfy its obligations under the Shareholder Stipulation.

**1.118. *Schedules*** mean the schedules of assets and liabilities and the statements of financial affairs, if any, Filed by the Debtor pursuant to section 521 of the Bankruptcy Code and Bankruptcy Rules, as such schedules or statements have been or may be further modified, amended or supplemented in accordance with Bankruptcy Rule 1009 or any orders of the Bankruptcy Court.

**1.119. *Securities Claim*** means a claim against the Debtor arising from rescission of a purchase or sale of a security of the Debtor, for damages arising from the purchase or sale of such security, or for reimbursement, indemnity or contribution allowed under section 502 of the Bankruptcy Code on account of such Claim, any claim arising out of the ownership of a security including, without limitation, by or on behalf of the Debtor or claims against parties other than the Debtor based on any alleged breach of fiduciary duty by such third parties; provided, however, Director and Officer Claims shall not be Securities Claims.

**1.120. Senior Credit Facility** means that certain Credit and Guaranty Agreement, dated as of February 3, 2000, between the Company, as borrower, and the entities identified as the “Lenders” and “Agents” therein, as amended.

**1.121. Senior Note Trustees** means the Note Trustees with respect to the Senior Notes.

**1.122. Senior Notes** means those certain (i) 10.5% Senior Notes due 2009; (ii) 10.75% Senior Notes due 2008; (iii) 10.75% Senior Notes due 2009; (iv) 9.0% Senior Notes due 2008; (v) 12.75% Senior Notes due 2007; (vi) 9.625% Senior Notes due 2007; (vii) 12.5% Senior Notes due 2006; (viii) 12.125% Senior Discount Notes due 2009; (ix) 12.25% Senior Discount Notes due 2009; and (x) 9.45% Senior Discount Notes due 2008, each as issued by one of XO’s predecessors and, with respect to the 12.5% Senior Notes due 2006, also issued by NEXTLINK Capital, Inc. (a predecessor of XO), pursuant to the applicable Indenture.

**1.123. Senior Note Claim** means a Claim arising from or relating to the Senior Notes (other than a Securities Claim).

**1.124. Senior Note Claim Portion** means a fraction the numerator of which is equal to the sum of the Face Amount of all Note Claims and the denominator of which is equal to the sum of the Face Amount of all Note Claims and General Unsecured Claims.

**1.125. Senior Secured Lender Claims** means individually, a Claim of a Senior Secured Lender under the Senior Credit Facility and all documents executed in connection therewith and, collectively, the Claims of the Senior Secured Lenders under the Senior Credit Facility, including Claims for principal, accrued but unpaid interest and Administrative Agent Fee Claims through the Effective Date. The Senior Secured Lender Claims shall be Allowed as a secured claim in an amount equal to the amount of the principal and accrued but unpaid interest and Administrative Agent Fee Claims outstanding as of the Effective Date.

**1.126. Senior Secured Lenders** means the entities identified as “Lenders” under the Senior Credit Facility and their respective successors and assigns.

**1.127. Shareholder Lawsuit** means the consolidated action captioned as *Irving Schoenfeld, Morgan Marketing, Ltd., Russ Land and Brian Beavers v. XO Communications, Inc. et al.*, Case No. 01-018358 (N.Y. Sup. Ct., Nassau County).

**1.128. Shareholder Stipulation** means the Stipulation of Compromise and Settlement, substantially in the form attached hereto as Exhibit C, among other things, providing for a settlement of the Shareholder Lawsuit.

**1.129. Stand-Alone Events** means the occurrence of a Termination Event, the filing by the Debtor of the Stand-Alone Notice with the Bankruptcy Court and consummation of the transactions contemplated by the Stand-Alone Term Sheet and any agreements that would be executed and delivered in connection therewith.

**1.130. *Stand-Alone Notice*** means a notice made by the Debtor, after discussions with the Administrative Agent, and to be delivered to the Administrative Agent, expressing (a) either (i) that the Investment Agreement has been terminated by the Investors or XO or (ii) that XO has concluded that the Investors will not consummate the transactions contemplated by the Investment Agreement, and (b) XO's intention to proceed with the transactions contemplated by the Stand-Alone Term Sheet.

**1.131. *Stand-Alone Plan*** means the Plan based on the transactions contemplated by the Stand-Alone Term Sheet.

**1.132. *Stand-Alone Term Sheet*** means the term sheet attached as Appendix F to the Disclosure Statement.

**1.133. *Stock Agent*** means American Stock Transfer & Trust Company or such other agent appointed by the Debtor.

**1.134. *Subordinated Note Claim*** means a Claim arising from or relating to the Subordinated Notes (other than a Securities Claim).

**1.135. *Subordinated Notes*** means the 5.75% Convertible Subordinated Notes due 2009, issued by XO pursuant to the applicable Indenture.

**1.136. *Successful Recovery*** shall have the meaning set forth in the Shareholder Stipulation.

**1.137. *Telmex*** means Teléfonos de México, S.A. de C.V., *a sociedad anónima de capital variable* organized under the laws of the United Mexican States.

**1.138. *Termination Event*** means any event whereby (a) the Investment Agreement is terminated by the Investors or XO or (b) XO, after discussions with the Administrative Agent, concludes that the Investors will not consummate the transactions contemplated by the Investment Agreement and delivers the Stand-Alone Notice to the Administrative Agent, with a copy of such notice to be delivered to each of the Investors.

**1.139. *Transferable Rights*** mean the rights issued to the Holders of Senior Secured Lender Claims (Class 1) to purchase, prior to the Final Expiration Date, Rights Shares in the Rights Offering, which rights are transferable in accordance with the provisions set forth in the Disclosure Statement and are subject to the priority and allocation rules described herein and in the Disclosure Statement.

**1.140. *Transferable Rights Certificates*** mean the transferable rights certificates in the form attached to the Plan Supplement.

**1.141. *Unaffiliated Senior Note Claims*** means Senior Notes Claims other than those that the Debtor reasonably believes to be owned or controlled by Mr. Carl Icahn or his affiliates.

**1.142. *Unimpaired*** means, when used in reference to a Claim or Interest, a Claim or Interest, if any, that is not impaired within the meaning of section 1124 of the Bankruptcy Code.

**1.143. *Voting Deadline*** means the voting deadline date for voting to accept or reject this Plan as set forth in the Disclosure Statement Order.

**1.144. *Voting Procedures Order*** means the order entered by the Bankruptcy Court, if any, establishing procedures with respect to the solicitation and tabulation of votes to accept or reject this Plan.

**1.145. *Voting Record Date*** means the voting record date for voting to accept or reject this Plan, as determined by the Bankruptcy Court.

**1.146. *Warrant Agreement*** means that certain warrant agreement, reasonably acceptable to the Administrative Agent, in the form attached to the Plan Supplement, containing customary antidilution protections, among other things, from dilution by (i) below-market equity issuances after consummation of the Stand-Alone Plan and (ii) any equity issuance made or committed to at or prior to consummation of the Stand-Alone Plan at valuations less than the pre-Rights Offering equity value of XO of \$475 million, in the case of (i) above subject to customary exceptions.

**1.147. *XO*** means XO Communications, Inc., a Delaware corporation.

**B. Rules of Interpretation**

For purposes of this Plan, (a) any reference in this Plan to a contract, instrument, release, indenture, or other agreement or documents being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions, (b) any reference in this Plan to an existing document or exhibit Filed or to be Filed means such document or exhibit as it may have been or may be amended, modified, or supplemented, (c) unless otherwise specified, all references in this Plan to Sections, Articles, Schedules, and Exhibits are references to Sections, Articles, Schedules, and Exhibits of or to this Plan, (d) the words “herein” and “hereto” refer to this Plan in its entirety rather than to a particular portion of this Plan, (e) captions and headings to Articles and Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of this Plan, and (f) the rules of construction set forth in section 102 of the Bankruptcy Code and in the Bankruptcy Rules shall apply.

**C. Computation of Time**

In computing any period of time prescribed or allowed by this Plan, the provisions of Bankruptcy Rule 9006(a) shall apply.

#### **D. Confirmation of the Plan**

The Debtor intends to proceed with confirmation of the FL/Telmex Plan (as defined in the Introduction) or, as a contingency plan in the event the FL/Telmex Plan fails to close, the Stand-Alone Plan (as defined in the Introduction). For purposes of the Confirmation Hearing and the Plan, unless the Debtor has filed a Stand-Alone Notice with the Bankruptcy Court on or prior to the Confirmation Hearing, the Debtor shall proceed with confirmation of the FL/Telmex Plan and the provisions in the Plan relating solely to the Stand-Alone Plan shall be inapplicable. If, however, prior to entry of a Confirmation Order confirming the FL/Telmex Plan the Debtor files a Stand-Alone Notice with the Bankruptcy Court, or if, after the entry of a Confirmation Order confirming the FL/Telmex Plan, the FL/Telmex Plan is not consummated and the Debtor files a Stand-Alone Notice with the Bankruptcy Court, the Debtor shall be entitled to proceed with confirmation of the Stand-Alone Plan. If the Debtor has filed a Stand-Alone Notice with the Bankruptcy Court on or prior to the Confirmation Hearing, the Debtor shall proceed with confirmation of the Stand-Alone Plan.

### **ARTICLE II**

#### **CLASSIFICATION OF CLAIMS AND INTERESTS**

All Claims and Interests, except Administrative Claims and Priority Tax Claims, are placed in the Classes set forth below. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims and Priority Tax Claims of the Debtor, as described below, have not been classified. A Claim or Interest is placed in a particular Class only to the extent that the Claim or Interest falls within the description of that Class and is classified in other Classes to the extent that any portion of the Claim or Interest falls within the description of such other Classes. A Claim or Interest is also placed in a particular Class for the purpose of receiving distributions pursuant to this Plan only to the extent that such Claim or Interest is an Allowed Claim or Allowed Interest in that Class and such Claim or Interest has not been paid, released or otherwise settled prior to the Effective Date.

##### **2.1. *Claims and Interests.***

<b><u>Class</u></b>	<b><u>Status</u></b>	<b><u>Voting Rights</u></b>
Class 1 (Senior Secured Lender Claims) .....	Impaired	Entitled to Vote
Class 2 (Other Secured Claims).....	Unimpaired	Not entitled to Vote
Class 3 (Non-Tax Priority Claims) .....	Unimpaired	Not entitled to Vote
Class 4 (Convenience Claims) .....	Unimpaired	Not Entitled to Vote
Class 5 (General Unsecured Claims).....	Impaired	Entitled to Vote



Class 6 (Senior Note Claims) .....	Impaired	Entitled to Vote
Class 7 (Subordinated Note Claims).....	Impaired	Not entitled to Vote
Class 8 (Securities Claims).....	Impaired	Not entitled to Vote
Class 9 (Old Preferred Stock Interests).....	Impaired	Not entitled to Vote
Class 10 (Old Common Stock) .....	Impaired	Not entitled to Vote
Class 11 (Other Old Equity Interests).....	Impaired	Not entitled to Vote

**2.2. *Unclassified Claims.***

- (a) Administrative Claims.
- (b) Priority Tax Claims

**2.3. *Unimpaired Classes of Claims.***

- (a) Class 2: Class 2 consists of all Other Secured Claims.
- (b) Class 3: Class 3 consists of all Non-Tax Priority Claims.
- (c) Class 4: Class 4 consists of all Convenience Claims.

**2.4. *Impaired Classes of Claims.***

- (a) Class 1: Class 1 consists of all Senior Secured Lender Claims.
- (b) Class 5: Class 5 consists of all General Unsecured Claims.
- (c) Class 6: Class 6 consists of all Senior Note Claims.
- (d) Class 7: Class 7 consists of all Subordinated Note Claims.
- (e) Class 8: Class 8 consists of all Securities Claims.

**2.5. *Impaired Classes of Interests.***

- (a) Class 9: Class 9 consists of all Old Preferred Stock Interests.
- (b) Class 10: Class 10 consists of all Old Common Stock.
- (c) Class 11: Class 11 consists of all Other Old Equity Interests.